

# **Central Wayne County Sanitation Authority**

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2008**

# Central Wayne County Sanitation Authority

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## Independent Auditor's Report

To the Board of Directors  
Central Wayne County Sanitation Authority

We have audited the accompanying basic financial statements of Central Wayne County Sanitation Authority as of June 30, 2008 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Central Wayne County Sanitation Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Central Wayne County Sanitation Authority as of June 30, 2008 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the management's discussion and analysis. However, we did not audit the information and express no opinion on it.

The accompanying required supplemental information and other supplemental information, as listed in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Central Wayne County Sanitation Authority. The required supplemental information and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 5, 2008

# Central Wayne County Sanitation Authority

## Management's Discussion and Analysis

Our discussion and analysis of Central Wayne County Sanitation Authority's (the "Authority" or "CWCSA") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Authority's financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's individual funds.

### Central Wayne County Sanitation Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2008 compared to the net assets as of June 30, 2007 (amounts in thousands). This is the fourth year of implementation of GASB No. 34.

	June 30	
	2008	2007
<b>Assets</b>		
Current assets	\$ 3,759	\$ 3,821
Noncurrent assets	1,119	972
Total assets	4,878	4,793
<b>Liabilities</b>		
Current liabilities	135	127
Noncurrent liabilities	2,654	3,198
Total liabilities	2,789	3,325
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	636	511
Restricted	98	87
Unrestricted	1,355	870
Total net assets	<u>\$ 2,089</u>	<u>\$ 1,468</u>

# Central Wayne County Sanitation Authority

## Management's Discussion and Analysis (Continued)

The Authority's combined net assets increased by approximately \$620,000 due to several factors related to the change in operations during prior years and due to the change in estimated closure and postclosure care cost liability (see Note 12). Operating revenues exceeded operating expenses by approximately \$64,000.

The following table shows the changes in the net assets during the current year and as compared to the prior year (in thousands of dollars):

	Year Ended June 30	
	2008	2007
<b>Revenue</b>		
Disposal fees	\$ 2,833	\$ 5,087
Interest income	135	210
Other operations	61	17
Total revenue	3,029	5,314
<b>Expenditures</b>		
Operations	455	528
Monofill	177	205
Disposal costs:		
Solid waste	1,746	1,876
Compost	444	552
Debt service	-	96
Recycling	114	105
Other	24	21
Depreciation	5	1
Total expenditures	2,965	3,384
<b>Excess of Revenue Over Expenditures</b>	64	1,930
<b>Extraordinary Item</b> - Monofill closure and postclosure costs	(556)	734
<b>Change in Net Assets</b>	<u>\$ 620</u>	<u>\$ 2,664</u>

# **Central Wayne County Sanitation Authority**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The Authority's operating revenue decreased approximately \$2,285,000, due primarily to a reduction in disposal rates and administration fees. The Authority's total expenditures decreased approximately \$419,000 due to changes in operations and reduction in tonnage of waste.

### **General Fund Budgetary Highlights**

Over the course of the year, the Authority amended the budget to take into account events during the year. Overall, the Authority stayed below budget.

### **Capital Assets and Debt Administration**

At the end of 2008, the Authority had approximately \$715,000 invested in land and equipment prior to the accumulation of depreciation.

Monofill closure and postclosure care costs were reduced by \$556,124 during the year.

More detailed information concerning capital assets and long-term debt can be found in Notes 4 and 6, respectively.

### **Economic Factors and Next Year's Budgets and Rates**

#### **Major Change in Direction for CWCSA**

In 1964, the Authority implemented the burning of solid waste as a means of reducing the volume of solid waste produced by the five member cities that needed to be placed in a landfill. The resulting ash was placed in the monofill. The Authority member cities concluded that this was the best direction for the disposal of solid waste in an environmentally safe manner. This approach was continued until 1998. At that time, the operation of the incinerator was changed dramatically with the reconstruction of the facility into a Waste to Energy (WTE) plant by a private partnership (Central Wayne Energy Recovery Limited Partnership or CWERLP). This introduced the second approach of producing electric power from the burning of solid waste. Even though WTE was a dramatic change, the direction was still the same.

However, with the closure of the WTE plant in September 2003, the result was a significant change in direction. Solid waste was transported to Woodland Meadows, a landfill operated by Waste Management Michigan (WMM). This was originally a temporary measure. In December 2003, CWERLP filed for bankruptcy. The ultimate approval of the purchase offer submitted by WMM to purchase both the CWERLP and CWCSA assets at the WTE plant in June 2004 confirmed this change in direction.

# **Central Wayne County Sanitation Authority**

## **Management's Discussion and Analysis (Continued)**

The result of this was that for the first time in over five years, the Authority was able to reduce tipping fee rates. The new rates went from \$63/ton to \$49/ton beginning with fiscal year 2004-2005, beginning July 1, 2004. The board approved further reductions in tonnage rates effective July 1, 2005 to \$46/ton, effective July 1, 2006 to \$43/ton and effective July 1, 2007 to \$28/ton. The board decided to leave the tipping fee at \$28/ton for fiscal year 2008-2009, beginning July 1, 2008.

CWCSA received a \$4 million payment from WMM during fiscal year 2003-2004 as part of the new 20-year agreement. The salvageable equipment was sold primarily through an on-line auction in December 2004. Net proceeds totaling \$528,290 were deposited with WMM to be applied to the demolition costs. Another \$38,525 was received from equipment directly sold by CWCSA. Therefore, a total of \$566,815 from equipment sales was available for payment on the demolition costs.

In addition, WMM paid \$4 million to acquire the assets of CWERLP through the bankruptcy proceedings. In this agreement, \$500,000 was set aside in an escrow fund. WMM filed a claim against this amount for environmental cleanup at the WTE plant. A settlement was agreed to by the various parties and approved by the Federal Bankruptcy Court. The settlement in the amount of \$200,000, less \$6,765 for WMM's expenses, was also available to apply against the demolition costs. Therefore, the net WTE plant demolition cost to CWCSA totaled \$789,046.

The contract for demolition was awarded by WMM early in 2005. The contractor started work on February 16, 2005 and completed the project by September 2005. Due to the amount of expected net expenditure for demolition, the CWCSA board amended the fiscal year 2004-2005 budget in February 2005. As part of this amendment, the board reduced the budgeted WTE demolition cost from \$4 million to \$2 million. The actual cost was \$1,595,861. Applying the equipment sale and environmental settlement costs toward the demolition resulted in a net cost of \$789,046 to CWCSA.

The closure process of the monofill began with the movement of ash in November 2004. This was completed by June 2005. The final closure and capping of the monofill was completed by November 2005. MDEQ approved the closure documents, declaring the monofill closed as of December 2005.

There will be a continued need to maintain the monofill for a minimum of 27 more years as required by state law. This will be at a significantly lower annual cost than the prior annual operating cost at the monofill.

Due to the savings on the demolition of the WTE plant and closure of the monofill, the CWCSA board approved using current resources to offset the administration portion of the charges to the member communities for the last four months of fiscal year 2005-2006.

This effectively reduced the tipping fee charged. The five cities were not billed anything for administration for this four-month period of time.

# **Central Wayne County Sanitation Authority**

## **Management's Discussion and Analysis (Continued)**

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One should note that the Authority has no remaining debt on the WTE plant or the land upon which it is located. The last remaining debt of CWCSA was on the monofill. The total debt has been paid in full by June 30, 2007.

The Authority board and staff have taken a very aggressive approach to resolving the challenges faced by CWCSA. These challenges have been resolved in a fiscally and cost-effective manner by the agreements put into place between CWCSA and WMM. The result is expected to be a stable means of solid waste disposal for the next 16 years on a financial basis that will be beneficial to both CWCSA and WMM. The contract began in June 2004 (a 20-year agreement).

The two major goals of demolition of the WTE facility/restoration of the property and the permanent closure of the monofill were completed in fiscal year 2005-2006. The expected sale of the land at the WTE plant location, as started with a sales agreement with a development group in January 2007, did not occur. The agreement was terminated by the CWCSA board in May 2008. The sale of this property will be the major goal for fiscal year 2008-2009.

Another step in the effort to further reduce expenses at the monofill was completed with the installation and operation of a simplified wastewater treatment plant. Further improvements to eliminate the older wastewater treatment plant and to eliminate and/or modify wells will also reduce operational costs and assist CWCSA in its efforts to sell or lease the property.

CWCSA is in a strong fiscal condition. Further steps will be taken to ensure this continuation as our member cities continue to work together to dispose of solid waste during the coming years.

### **Contacting the Authority's Management**

This financial report is intended to provide our citizens, member communities, and investors with a general overview of the Authority's finances and show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the executive director at 734-722-9980, ext. 12.



# Central Wayne County Sanitation Authority

## Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2008

	Governmental Fund Types			Statement of Net Assets
	General Fund	Capital Projects Fund	Adjustments	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 1,733,225	\$ 1,628,364	\$ -	\$ 3,361,589
Accounts receivable:				
Constituent communities	374,785	-	-	374,785
Other	3,290	3,959	-	7,249
Due from General Fund	-	14,817	-	14,817
Restricted assets (Note 7)	483,510	-	-	483,510
Nondepreciable capital assets (Note 4)	-	-	509,904	509,904
Depreciable capital assets - Net (Note 4)	-	-	125,947	125,947
<b>Total assets</b>	<b>\$ 2,594,810</b>	<b>\$ 1,647,140</b>	<b>\$ 635,851</b>	<b>\$ 4,877,801</b>
<b>Liabilities and Fund Balance/ Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 109,311	\$ 8,108	\$ -	\$ 117,419
Accrued and other liabilities	3,201	-	-	3,201
Due to Capital Projects Fund	14,817	-	-	14,817
Payable from restricted assets - Due to Perpetual Care Fund	385,267	-	-	385,267
Noncurrent liabilities - Monofill postclosure costs (Note 6)	-	-	2,268,500	2,268,500
<b>Total liabilities</b>	<b>512,596</b>	<b>8,108</b>	<b>2,268,500</b>	<b>2,789,204</b>
<b>Fund Balance/Net Assets</b>				
Invested in capital assets	-	-	635,851	635,851
Fund balances/Net assets:				
Reserved/Restricted	98,243	-	-	98,243
Unreserved/Unrestricted	1,983,971	1,639,032	(2,268,500)	1,354,503
<b>Total fund equity/net assets</b>	<b>2,082,214</b>	<b>1,639,032</b>	<b>(1,632,649)</b>	<b>2,088,597</b>
<b>Total liabilities and fund equity/ net assets</b>	<b>\$ 2,594,810</b>	<b>\$ 1,647,140</b>	<b>\$ 635,851</b>	<b>\$ 4,877,801</b>

# Central Wayne County Sanitation Authority

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2008

	Governmental Fund Types			Statement of
	General Fund	Capital Projects Fund	Adjustments	Activities
<b>Revenue</b>				
Disposal fees	\$ 2,832,691	\$ -	\$ -	\$ 2,832,691
Interest income	64,136	70,610	-	134,746
Other operations	61,393	-	-	61,393
Total revenue	2,958,220	70,610	-	3,028,830
<b>Expenditures</b>				
Operations	454,849	-	-	454,849
Monofill	151,047	156,079	(129,547)	177,579
Post-closure costs	-	-	(556,124)	(556,124)
Disposal costs:				
Solid waste	1,745,669	-	-	1,745,669
Compost	444,049	-	-	444,049
Recycling	-	113,989	-	113,989
Other	-	23,603	-	23,603
Depreciation	-	-	5,022	5,022
Total expenditures	2,795,614	293,671	(680,649)	2,408,636
<b>Excess of Revenue Over (Under) Expenditures</b>	162,606	(223,061)	680,649	620,194
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	115,139	-	115,139
Operating transfers out	(115,139)	-	-	(115,139)
Total other financing sources (uses)	(115,139)	115,139	-	-
<b>Net Change in Fund Balances/Net Assets</b>	47,467	(107,922)	680,649	620,194
<b>Fund Balances/Net Assets - Beginning of year</b>	2,034,747	1,746,954	(2,313,298)	1,468,403
<b>Fund Balances/Net Assets - End of year</b>	<b>\$ 2,082,214</b>	<b>\$ 1,639,032</b>	<b>\$ (1,632,649)</b>	<b>\$ 2,088,597</b>

# Central Wayne County Sanitation Authority

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies**

Central Wayne County Sanitation Authority (the "Authority") provides household refuse disposal services primarily for the benefit of member municipalities in Wayne County, Michigan. These member municipalities are the cities of Dearborn Heights, Garden City, Inkster, Wayne, and Westland.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

**Reporting Entity** - The Authority is governed by a board consisting of one representative from each of the five member communities. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

**Basis of Accounting** - The government-wide full accrual financial statements (the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. For the purpose of the government-wide financial statements, the Authority reports a liability for monofill closure and postclosure care costs, which will be funded through future revenue from the member municipalities.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Authority reports the following major governmental funds:

**General Fund** - The General Fund contains the records of the ordinary activities of the Authority that are not accounted for in another fund. General Fund activities are financed by revenue from refuse disposal fees.

**Capital Projects Fund** - The Capital Projects Fund is used to account for board-designated improvements.

# Central Wayne County Sanitation Authority

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Investments** - Investments are recorded at fair value, based on quoted market prices, with the exception of money market instruments with a maturity of one year or less at time of purchase, which are recorded at cost.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/due from other funds." All receivables are shown as net of an allowance for uncollectible amounts.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

### **Note 2 - Budgetary Information**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Capital Projects Fund. All annual appropriations lapse at fiscal year end. The board approves the original budget prior to the beginning of the fiscal year. The board reviews budget-to-actual information throughout the year and approves amendments as deemed necessary. The budget is adopted on a fund-total basis.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the Authority is the fund level.

# Central Wayne County Sanitation Authority

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## Notes to Financial Statements June 30, 2008

### Note 2 - Budgetary Information (Continued)

A comparison of actual results of operations to the budgets as adopted by the board is included in the required supplemental information for the General Fund and in the other supplemental information for the Capital Projects Fund.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The Authority did not have significant expenditure budget variances.

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in instruments approved by the state statutory authority as listed above.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$923,995 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as deposits.

# Central Wayne County Sanitation Authority

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, the Authority does not have any investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy restricts investment maturities and, to the extent possible, the Authority will attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the Authority will not directly invest in securities maturing more than 18 months from the date of purchase. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Commercial paper	\$764,771	1.84 months

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$781,338	Aaa	Moody's
Commercial paper	764,771	P-1	Moody's
Bank investment pool	876,544	A1, P1, F1	S&P, Moody's, Fitch
Not rated - Bank investment pools	385,267	Not Rated	N/A

**Concentration of Credit Risk** - The Authority limits the amount that the Authority may invest in any one issuer and with any one institution. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50 percent of the total investment portfolio will be invested in a single security type or 25 percent with a single financial institution. At June 30, 2008, the Authority had \$764,771 (37.7 percent) invested in General Electric commercial paper. At the time the commercial paper was purchased, commercial paper represented less than 25 percent of the investment portfolio.

# Central Wayne County Sanitation Authority

## Notes to Financial Statements June 30, 2008

### Note 4 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets not being depreciated -				
Land	\$ 509,904	\$ -	\$ -	\$ 509,904
Capital assets being depreciated:				
Equipment	75,498	14,300	-	89,798
Water treatment facility	-	115,247	-	115,247
Accumulated depreciation:				
Equipment	74,076	2,140	-	76,216
Water treatment facility	-	2,882	-	2,882
Net capital assets being depreciated	1,422	124,525	-	125,947
Net capital assets	<u>\$ 511,326</u>	<u>\$ 124,525</u>	<u>\$ -</u>	<u>\$ 635,851</u>

### Note 5 - Transfers

The transfers from the General Fund to the Capital Projects Fund represent the movement of resources to be used for future capital projects.

### Note 6 - Long-term Debt

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Reductions*	Ending Balance	Due Within One Year
Monofill closure and postclosure care costs (Note 12)	<u>\$ 2,824,624</u>	<u>\$ (556,124)</u>	<u>\$ 2,268,500</u>	<u>\$ 96,500</u>

\* There were no additions to long-term debt during the fiscal year.

# Central Wayne County Sanitation Authority

## Notes to Financial Statements June 30, 2008

### Note 7 - Restricted Assets

Restricted assets represent cash and investments that have been segregated for specific purposes due to legal requirements. The restricted assets were composed of the following:

Cash and cash equivalents - Investments reserved for monofill perpetual care	\$ 385,267
Deposit with Michigan Department of Natural Resources for monofill watering care fund	<u>98,243</u>
Total restricted assets	<u>\$ 483,510</u>

### Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all of the above risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### Note 9 - Defined Benefit Pension Plan

**Plan Description** - As part of the privatization initiative, all employees were terminated on June 15, 1998. The Authority provided substantially all employees with retirement, disability, and death benefits by participating in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit plan. The active employees on June 15, 1998 were offered the option of withdrawing their funds or remaining in the plan. The Authority is responsible for maintaining sufficient funds in the plan to cover the actuarially computed future benefits for the previous employees remaining in the plan. During the year ended June 30, 2003, the plan re-opened and the three employees of the Authority are now active participants. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the Michigan Municipal Employees' Retirement System at 1134 Municipal Way, Lansing, Michigan 48917.

**Annual Pension Cost** - For the year ended June 30, 2008, the Authority's required and actual annual pension cost was \$6,312.



# Central Wayne County Sanitation Authority

## Notes to Financial Statements June 30, 2008

### Note 9 - Defined Benefit Pension Plan (Continued)

The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent to 12.9 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The remaining amortization period is 30 years.

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2008	2007	2006
Annual pension cost (APC)	\$ 6,312	\$ 90,000	\$ 112,445
Percentage of APC contributed	100%	100%	100%
	Valuation Year Ended December 31		
	2007	2006	2005
Actuarial value of assets	\$ 3,347,011	\$ 3,392,854	\$ 3,353,145
Actuarial accrued liability (AAL)			
(entry age)	3,413,926	3,425,977	3,437,977
Unfunded AAL (UAAL)	66,915	33,123	84,832
Funded ratio	98%	99%	98%

### Note 10 - Defined Contribution Pension Plan

The Authority provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Authority, the Authority contributes 1 percent of employees' gross earnings. For the year ended June 30, 2008, \$1,128 was contributed to the plan.

### Note 11 - Commitments

The Authority has obtained a \$325,000 letter of credit to provide financial assurance to the Michigan Department of Natural Resources for potential liability relative to the monofill. The Authority has a cash bond on deposit with the Michigan Department of Natural Resources. This bond, which has a value of approximately \$98,000 as of June 30, 2008, will be retained by the Michigan Department of Natural Resources until 30 years past the time of closure of the monofill.

# Central Wayne County Sanitation Authority

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## Notes to Financial Statements June 30, 2008

### **Note 11 - Commitments (Continued)**

The Authority entered into a 20-year disposal contract with Waste Management of Michigan (WMM). Pursuant to the agreement, WMM is to accept waste from the constituent communities at the Woodland Meadows landfill for a fixed rate per ton, to increase annually. The initial increase on July 1, 2007 was 3.75 percent and will be 2 percent annually thereafter. The fixed rate as of June 30, 2008 is \$19.69 per ton plus related taxes, fees, and surcharges.

### **Note 12 - Monofill Closure and Postclosure Care Cost**

State and federal laws and regulations required the Authority to place a final cover on its monofill when it stopped accepting waste and to perform certain maintenance and monitoring functions at the monofill for 30 years after closure. Although closure and postclosure care costs were paid near and after the date the monofill stopped accepting waste, the Authority has recorded a portion of these costs as a liability in accordance with Governmental Accounting Standards Board Statement No. 18. The \$2,268,500 liability recorded at June 30, 2008 represents the Authority's portion of the estimated total liability for postclosure care costs. The amount recorded is based on estimated costs in current dollars to perform all postclosure care as of June 30, 2008. The change in this estimate is reported as an extraordinary item. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

The Authority is required by state regulations to set aside a portion of disposal fees to finance postclosure maintenance. The amount is reported as a restricted asset and a liability (see Note 7).

### **Note 13 - Postemployment Benefits**

Healthcare insurance is provided for employees who have 25 or more years of service when they retire.

During the 2008 fiscal year, major changes were made in healthcare coverage for former employees. Only retirees over age 65 continued to receive coverage. The Authority entered into settlement agreements with three former employees less than age of 65 years and discontinued healthcare coverage. This included one former employee who is on workers' compensation, but did not receive healthcare coverage during 2008. The cost to the Authority for the settlement was \$105,000. One former employee is currently in settlement negotiations with the Authority.

# Central Wayne County Sanitation Authority

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## Notes to Financial Statements June 30, 2008

### **Note 13 - Postemployment Benefits (Continued)**

For three months of fiscal year 2008, coverage was provided to 11 employees. For nine months, coverage was provided to nine employees. The cost of this benefit is recognized as the insurance premiums are due. The total cost to the Authority was approximately \$97,800 for the year ended June 30, 2008.

**Upcoming Reporting Changes** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

### **Note 14 - Operating Leases**

The Authority entered into a lease agreement for its office during 2004 with an unrelated party under an operating lease that expired on November 15, 2007. The lease included an option to extend for three years, which the Authority exercised in the current year. The extended lease expires on November 15, 2010. The total lease expense for this operating lease was \$18,180 for the year ended June 30, 2008.

The future minimum rental commitment for the years ending June 30, 2009, 2010, and 2011 are \$18,679, \$19,239, and \$8,115, respectively.

# Central Wayne County Sanitation Authority

## Notes to Financial Statements June 30, 2008

### Note 15 - Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Authority's funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance - Modified accrual basis</b>	<b>\$ 3,721,246</b>
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	635,851
Long-term liabilities are not due and payable in the current period and are not reported in the funds - Monofill closure and postclosure costs	<u>(2,268,500)</u>

<b>Net Assets - Full accrual method</b>	<b><u>\$ 2,088,597</u></b>
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<b>Total Net Change in Fund Balances - Modified accrual basis</b>	<b>\$ (60,455)</b>
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	124,525
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Reduction of monofill postclosure costs due to a change in the estimate is not recorded in the statement of revenue, expenditures, and changes in fund balance	<u>556,124</u>
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<b>Change in Net Assets - Full accrual basis</b>	<b><u>\$ 620,194</u></b>
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## **Required Supplemental Information**

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# Central Wayne County Sanitation Authority

## Budgetary Comparison Schedule General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Disposal fees	\$ 3,530,016	\$ 3,530,016	\$ 2,832,691	\$ (697,325)
Interest income	51,500	65,000	64,136	(864)
Other operations	1,000	50,690	61,393	10,703
Total revenue	3,582,516	3,645,706	2,958,220	(687,486)
<b>Expenditures</b>				
Operations	311,190	489,567	454,849	34,718
Monofill	149,925	153,941	151,047	2,894
Disposal costs:				
Solid waste	2,119,072	2,119,072	1,745,669	373,403
Compost	767,986	767,987	444,049	323,938
Total expenditures	3,348,173	3,530,567	2,795,614	734,953
<b>Excess of Revenue Over Expenditures</b>	234,343	115,139	162,606	47,467
<b>Other Financing Uses</b> - Operating transfers out	(234,343)	(115,139)	(115,139)	-
<b>Net Change in Fund Balance</b>	-	-	47,467	47,467
<b>Fund Balance</b> - Beginning of year	2,034,747	2,034,747	2,034,747	-
<b>Fund Balance</b> - End of year	<u>\$ 2,034,747</u>	<u>\$ 2,034,747</u>	<u>\$ 2,082,214</u>	<u>\$ 47,467</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than required by the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

## **Other Supplemental Information**

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# Central Wayne County Sanitation Authority

## Schedule of Expenditures - Operations Budget and Actual General Fund Year Ended June 30, 2008

	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating expenses:			
Administrative salaries and wages	\$ 78,430	\$ 78,730	\$ (300)
Social Security	14,035	14,055	(20)
Hospitalization insurance	97,900	97,761	139
Insurance settlement	105,000	105,000	-
Unemployment	725	725	-
Office supplies	4,000	3,983	17
Office equipment and maintenance	1,925	1,910	15
Postage	1,100	708	392
Auditing and accounting	6,000	6,000	-
Payroll accounting	1,850	1,626	224
Legal fees	20,000	17,951	2,049
Banking and financial	1,700	1,657	43
Consulting	1,425	1,425	-
Insurance - Workers' compensation	856	856	-
Worker's compensation settlement	50,000	50,000	-
Insurance - Other	26,783	26,783	-
Membership dues	922	922	-
Education and training	500	347	153
Retirement contribution	7,886	7,440	446
Building maintenance	750	572	178
Alarm system	1,100	898	202
Building rent	18,180	18,180	-
Utilities	3,300	3,061	239
Telephone	4,300	4,231	69
Lot maintenance	10,000	9,425	575
Miscellaneous	900	603	297
Contingency	30,000	-	30,000
Total operating expenses	<u>\$ 489,567</u>	<u>\$ 454,849</u>	<u>\$ 34,718</u>



# Central Wayne County Sanitation Authority

## Budgetary Comparison Schedule Capital Projects Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Interest income	\$ 57,254	\$ 73,000	\$ 70,610	\$ (2,390)
<b>Expenditures</b>				
Monofill improvements	100,000	175,000	156,079	18,921
Recycling	100,322	117,200	113,989	3,211
Other expenditures	25,000	25,000	23,603	1,397
Total expenditures	225,322	317,200	293,671	23,529
<b>Excess of Expenditures Over Revenue</b>	(168,068)	(244,200)	(223,061)	21,139
<b>Other Financing Sources</b> - Operating transfers in	234,343	115,139	115,139	-
<b>Net Change in Fund Balance</b>	66,275	(129,061)	(107,922)	21,139
<b>Fund Balance</b> - Beginning of year	1,746,954	1,746,954	1,746,954	-
<b>Fund Balance</b> - End of year	<u>\$ 1,813,229</u>	<u>\$ 1,617,893</u>	<u>\$ 1,639,032</u>	<u>\$ 21,139</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the Capital Projects Fund is more detailed than required by the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

# **Central Wayne County Sanitation Authority**

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**Report to the Central Wayne County Sanitation Authority  
Board of Directors**

**June 30, 2008**

To the Board of Directors  
Central Wayne County Sanitation Authority

We have recently completed our audit of the basic financial statements of Central Wayne County Sanitation Authority (the "Authority") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Authority.

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<b>Report on Internal Control</b>	2-3
<b>Results of the Audit</b>	4-6

We are grateful for the opportunity to be of service to Central Wayne County Sanitation Authority. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Plante & Moran, PLLC*

September 5, 2008

## Report on Internal Control

To the Board of Directors  
Central Wayne County Sanitation Authority

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Authority's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Authority as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we did not identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a significant deficiency:

September 5, 2008

- **Segregation of Duties** - Segregation of duties is a key component to a sound internal control structure. Currently, the finance clerk is responsible for all of the accounting functions, including preparing bank reconciliations, initiating and authorizing wire transfers, processing payroll, and posting journal entries in the system. We recognize that due to the size of the Authority, it is impractical to establish complete segregation of duties; however, a lack of segregation of duties increases the risk of misstatements.

It is our understanding that the Authority has procedures in place to mitigate risk in certain areas, such as the executive director's review of bank reconciliations and the board's involvement with reviewing monthly reports. It is also our understanding that the executive director does not review journal entries posted in the system by the finance clerk and that the executive director is not required to authorize wire transfers initiated by the finance clerk. These are additional controls that could further mitigate the risk of misstatements. We commend the Authority for implementing the procedures that are in place and encourage continued involvement by the board.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any significant deficiencies that we believe constitute material weaknesses.

This communication is intended solely for the information and use of management, the board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "David Helisek". The signature is fluid and cursive, with the first name "David" and last name "Helisek" clearly distinguishable.

David H. Helisek

## Results of the Audit

To the Board of Directors  
Central Wayne County Sanitation Authority

We have audited the financial statements of Central Wayne County Sanitation Authority (the "Authority") for the year ended June 30, 2008 and have issued our report thereon dated September 5, 2008. Professional standards now require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 29, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Central Wayne County Sanitation Authority. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our discussion with John Zech about planning matters on August 1, 2008.

## **Significant Audit Findings**

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Central Wayne County Sanitation Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2008.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The key sensitive estimate affecting the financial statements relates to the long-term obligation for monofill post-closure costs and is described in Note 12 to the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

September 5, 2008

### **Disagreements with Management**

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management's Representations**

We have requested certain representations from management that are included in the management representation letter dated September 5, 2008.

### **Management's Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

In the normal course of our professional association with the organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the organization's auditors.

This information is intended solely for the use of Central Wayne County Sanitation Authority's board of directors and management of Central Wayne County Sanitation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "David Helisek", written in a cursive style.

David H. Helisek